



Patrick W. Henning, Director

October 21, 2009

22M:375:JEP:1044



Arnold Schwarzenegger  
Governor

Ms. Rhonda Simmons, Executive Director  
Mayor's Office of Economic Workforce Development  
1 Dr. Carlton B. Goodlet Place  
City Hall, Room 448  
San Francisco, CA 94102

Dear Ms. Simmons:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)  
SUMMER YOUTH PROGRAM  
FINAL MONITORING REPORT  
PROGRAM YEAR 2009

This is to inform you of the results of our review for Program Year (PY) 2009 monitoring review of the Office of Economic and Workforce Development (OEWD)'s ARRA Summer Youth Program (SYP). This review was conducted by Ms. Jennifer Patel from August 3, 2009, through August 6, 2009. Our review consisted of interviews with your staff and a review of the following items: expenditures charged to the ARRA SYP, oversight of your subrecipients, and procurement transactions. In addition, we interviewed service provider staff, SYP participants, and worksite supervisors, and focused on the following areas of your ARRA SYP: eligibility determination, program operations, participant worksites, participant payroll processing, and oversight.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by OEWD with applicable federal and state laws, regulations, policies, and directives related to the ARRA grant.

We collected the information for this report through interviews with representatives of OEWD, service provider staff, ARRA SYP worksite supervisors, and ARRA SYP participants. In addition, this report includes the results of our review of sampled case files, OEWD's response to Section I and II of the ARRA SYP Onsite Monitoring Guide, and a review of applicable policies and procedures for PY 2009.

We received your response to our draft report on September 23, 2009, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding two cited in the draft report, no further action

is required and we consider this issue resolved. Additionally, your response adequately addressed findings one and three cited in the draft report. However, these issues will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 10001 and 10003.

## **BACKGROUND**

The OEWD allocated approximately \$1,100,000 of its \$2,321,988 ARRA youth allocation to serve 455 summer youth program participants.

As of the week of August 3, 2009, OEWD's internal records show \$407,000 of expenditures to serve 387 summer youth program participants.

## **ARRA SYP REVIEW RESULTS**

While we concluded that, overall, OEWD is meeting applicable ARRA requirements, we noted instances of noncompliance in the following areas: payroll, eligibility, work permits, and Job Training Automation (JTA) reporting. The findings that we identified in these areas are specified below. The findings that we identified in these areas, our recommendations, and OEWD's proposed resolution of the findings are specified below.

### **FINDING 1**

#### **Requirement:**

Office of Management and Budget (OMB) Circular A-87, Attachment A, Section (C)(1)(j) states, in part, that for cost to be allowable they must be adequately documented.

OMB Circular A-87, Attachment A, Section (C)(3)(a) states, in part, that for costs to be allowable under Federal awards they must be allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objectives in accordance with relative benefit received.

California Labor Code Section 512 states, in part, that an employer may not employ an employee for a work period of more than five hours per day without providing the employee with a meal period of not less than 30 minutes.

Industrial Welfare Commission Order No. 4-2001, Section 11 states, in part, that unless the employee is relieved of all duty during a 30 minute meal period, the meal period shall be considered an "on duty" meal period and counted as time worked. An "on duty" meal period shall be permitted only

when the nature of the work prevents an employee from being relieved of all duty and when by written agreement between the parties an on-the-job paid meal period is agreed to. The written agreement shall state that the employee may, in writing, revoke the agreement at any time.

**Observation:**

We found that OEWD's SYP service provider, Communities in Harmony Advocating for Learning and Kids (CHALK), paid for participant lunch breaks with ARRA funds, which is time not worked. The CHALK operates other youth programs using non-ARRA funds in which it pays for participant lunch breaks and applied this method to the SYP.

During the case file review, we found two of five participants were paid for lunch breaks. Specifically, both participants worked two eight-hour days during one pay period. The participants signed out for a 30 minute lunch break and were paid for this period.

The OEWD stated they will use non-WIA funds to cover the cost of the lunch hours paid to the identified youth. In addition, the contractor who makes participant payments will review all participant timesheets to ensure that lunch periods are not paid with WIA funds and take similar action if any additional lunch periods have been paid.

**Recommendation:** We recommended that OEWD provide the Compliance Review Office (CRO) with the results of the contractor's review and documentation that payment for the lunch periods have been reimbursed with non-WIA funds.

**OEWD Response:** The OEWD stated that all youth providers have been re-trained and reminded that youth should not be paid for their lunch hours. The OEWD does not believe there will be any further instances of that practice. Additionally, the non-profit contracted to implement payroll has strengthened existing internal procedures designed to verify all timesheets and not pay for youth lunch hours.

The OEWD will honor the payments made to the youth for their hours and will use non-WIA funds to cover the cost of the lunch hours paid to the identified youth. The OEWD requested that the payroll contractor review all 387 youth participant timesheets and identify any additional youth who

were paid for lunch breaks. These additional cases will be reported to OEWD by October 30, 2009.

The OEWD will not charge the cost of the lunch breaks to WIA and OEWD will provide results of the review to CRO by December 2009. Since OEWD has not drawn down funds to cover the cost of the lunch breaks, there will be no need for OEWD to reimburse the State for the paid lunch breaks.

**State Conclusion:** The OEWD's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we receive the results of the contractor's review and verification that lunch periods were reimbursed with non-WIA funds. Until then, this issue remains open and has been assigned CATS number 10001.

## **FINDING 2**

**Requirement:** 20 CFR Section 664.200(b)(c)(1) states, in part, that an eligible youth is an individual who is age 14 through 21; a low income individual; and is within one or more of the following categories: 1) deficient in basic literacy skills, 2) School dropout, 3) Homeless, runaway, or foster child, 4) Pregnant or parenting, 5) Offender, or 6) Is an individual who requires additional assistance to complete an educational program, or to secure and hold employment.

Workforce Investment Act Directive (WIAD) 04-18 states, in part, that the term low-income individual means an individual who: A) Receives, or is a member of a family who receives cash payments under a federal, state, or local income-based public assistance program; B) Received income, or is a member of a family that received a total family income, for the six-month period prior to application for the program that does not exceed the higher of the poverty line or seventy percent of the lower living standard income level; C) Is a member of a household that receives or determined eligible to receive, food stamps; D) Qualifies as homeless; E) Is a foster child; and F) Is an individual with a disability.

WIAD 04-18 states, in part, that acceptable documentation for food stamp eligibility is: Authorization to Obtain Food Stamps; Food Stamp Card with Current Date; Food Stamp Receipt; Postmarked Food Stamp Mailer with Applicable Name and Address Statement from County Welfare Office; Statement

from County Welfare Office; Public Assistance Records/Printout; or Telephone Verification with County Welfare Office.

WIAD04-18 states, in part, that Local Workforce Investment Areas are responsible for ensuring that adequate eligibility documentation is contained in their participant case files to minimize the risk of disallowed costs.

**Observation:**

We observed that 9 of the 25 case files reviewed for OEWD's SYP service providers were missing adequate documentation to substantiate that the participants met the low-income requirement for ARRA services. Specifically:

- 5 of the 10 case files reviewed for GIRLS 2000 contained copies of the front of the food stamp card but did not document the current date of the card. There were no other documents in the case files to substantiate that the participants met the low-income requirement.

Subsequent to the review, OEWD provided public assistance printouts to substantiate that 4 of the 5 participants are a member of a family receiving public assistance. The remaining participant was determined eligible based on foster care status. However, no documentation was in the file to substantiate this status nor was there documentation of low income eligibility.

- 3 of the 10 case files reviewed for Community Youth Center (CYC) contained copies of the front of the food stamp card but did not document the current date of the card. There were no other documents in the case files to substantiate that the participants met the low-income requirement.

Subsequent to the review, OEWD provided public assistance printouts to substantiate food stamp eligibility for the three participants.

The information provided by OEWD is sufficient to establish eligibility for 7 of the 8 participants referenced above. However, no documentation was provided to establish foster care status of the remaining participant.

**Recommendation:** We recommended that OEWD provide CRO documentation to establish eligibility for the one participant identified above.

**OEWD Response:** The OEWD stated that the documentation provided by the participant to establish foster care status was not proper; however, documentation was provided by the participant verifying cash based public assistance through CalWorks, or Temporary Assistance for Needy Families (TANF). Therefore, the participant is eligible for WIA services based upon low-income status and the additional barrier of receiving cash based assistance. The OEWD provided documentation verifying eligibility and an updated copy of the WIA Application.

**State Conclusion:** We consider this finding resolved.

### **FINDING 3**

**Requirement:** California Education Code Section 49160 states, in part, that no person, firm or corporation shall employ, suffer, or permit any minor under the age of 18 years to work in or in connection with any establishment or occupation, except as provided in Section 49151, without a permit to employ, issued by the proper educational officers in accordance with law.

California Labor Code Section 1299 states, in part, that every person, or agent or officer thereof, employing minors, either directly or indirectly through third persons, shall keep on file all permits and certificates, either to work or to employ.

**Observation:** We found that two younger youth participants, both age 16, were participating in paid work experience prior to the issuance of the work permit. According to the participant timesheet, one participant started working on July 6, 2009 but the work permit was not issued until July 17, 2009. The second participant started working on July 6, 2009 but the work permit was not issued until July 13, 2009.

The OEWD stated that these participants may have been involved in Job Readiness Training (JRT) which occurs prior to the start of the work experience and continues throughout the program. However, the participant case file was missing adequate documentation to substantiate that the hours entered on the timesheet prior to the issuance of a work permit

was related to JRT. For instance, the case file did not include a sign in sheet, completion certificate, or case notes to indicate the participant attended JRT.

Subsequently, OEWD provide documentation that the second participant referenced above attended a 10 hour paid pre-JRT workshop at the provider site on July 6<sup>th</sup>, 8<sup>th</sup>, and 9<sup>th</sup> and did not begin working at the worksite until July 13, 2009.

**Recommendation:** We recommended that OEWD provide CRO with documentation on whether the first participant referenced above was in a work experience activity. If the participant was in a work activity, we recommend that OEWD provide CRO with a CAP stating how it will ensure that youth participants are issued a work permit prior to starting work experience activities. However, if the participant was not in a work experience activity, then we recommended that OEWD provide CRO with a CAP stating how the case files will contain proper documentation to support that participants were paid wages for non-work activity and did not require a work permit for time in this activity.

**OEWD Response:** The OEWD stated that on June 16, 2009, all youth providers were trained and given provider handbooks specifying that youth may not work at a worksite prior to receiving a work permit by the local school district. Upon further review, the OEWD could not obtain verification that the first participant referenced above was only involved in JRT prior to being issued a work permit.

The OEWD reviewed 10 payroll files at the non-profit contracted and sampled 79 provider case files to ensure work permits were valid and issued prior to any worksite assignment. Based upon this local review, OEWD has observed five case files with similar issues. The OEWD has issued Corrective Actions to non-profit contractors to provide documentation verifying that youth were not working at a worksite prior to issuance of a work permit. The OEWD will provide a final report of its findings to CRO by December 2009.

Additionally, OEWD will request a review of all files from payroll subcontractors responsible for collecting work permits and ensuring that work permits are issued prior to any work experience. The OEWD will revise the work permit policy to

ensure that youth participants are issued a work permit prior to younger youth starting work experience by December 2009.

**State Conclusion:** The OEWD's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, OEWD's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10003.

#### **FINDING 4**

**Requirement:** WIA Section 185(c)(2) states, in part, that each local board and each recipient receiving funds shall maintain comparable management information systems designed to facilitate the uniform compilation and analysis of programmatic, participant, and financial data necessary for monitoring and evaluating purposes. In addition, WIA Section 185(d)(1)(B) states, in part, that information to be included in reports shall include information regarding the programs and activities in which participants are enrolled, and the length of time that participants are engaged in such programs and activities.

20 CFR 667.399(b)(1) states, in part, that a state may impose different forms or formats, shorter due dates, and more frequent reporting requirements on subrecipients.

WIAD04-17 states, in part, that all recipients of WIA funds will submit client data via the JTA system, complying with the specifications for each data field. In addition, this Directive provides specific instructions for completing the forms and defines activity codes for the enrollment forms. The client's signature constitutes the client's certification that the WIA application information is true and correct.

**Observation:** We found that 5 of 25 case files reviewed had incomplete JTA Applications. Specifically, it was missing the participant's in- or out-of-school status. Subsequent to the review, OEWD provided updated copies of the application and verification that the missing fields had been reported in the JTA system.

We consider this issue resolved.



Due to the short period of time the 2009 SYP is in operation, the above corrective actions were requested in the exit conference in order that corrective action can be taken immediately. Thank you for the timely action taken on specific issues identified above. We are providing you up to 10 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than November 4, 2009. If we do not receive a response by this date, we will release this report as the final report. Please submit your response to the following address:

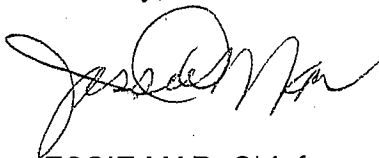
Compliance Monitoring Section  
Compliance Review Office  
722 Capitol Mall, MIC 22M  
P.O. Box 826880  
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all the areas included in our review. It is OEWD's responsibility to ensure that its systems, programs, and related activities comply with the ARRA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain OEWD's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Office

cc: Jose Luis Marquez, MIC 50  
Linda Palmquist, MIC 50  
Daniel Patterson, MIC 45  
Dathan Moore, MIC 50